

**SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 364**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-THIRD LEGISLATURE - SECOND SESSION

BY REPRESENTATIVE SEATON

Introduced: 2/19/04

Referred: House Special Committee on Oil and Gas, Resources, Finance

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act establishing a moratorium on the issuance of state shallow natural gas leases in  
2 the vicinity of Kachemak Bay, and precluding the commissioner of natural resources  
3 from reissuing or otherwise extending leases within the moratorium area if the leases fail  
4 to produce gas in paying quantities within the terms of the lease or if there is a breach of  
5 a term or condition of the lease; and providing for an effective date."

6 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

7 \* **Section 1.** LEGISLATIVE FINDINGS. The legislature finds that

8 (1) the land and water within the Kenai Peninsula Borough east of Cook Inlet  
9 and south of the north boundary of Township 5 North, Seward Meridian,

10 (A) is immediately adjacent to the Cook Inlet Areawide Lease Sale and  
11 the associated conventional gas projects;

12 (B) follows the same geologic trend supporting conventional gas  
13 projects within the Cook Inlet Areawide Lease Sale;

1 (C) demonstrates geology, geography, economics, and demographics  
 2 consistent with the area and communities found in the Cook Inlet Areawide Lease  
 3 Sale; and

4 (D) is inconsistent with the rural and isolated communities described in  
 5 the intent of the shallow natural gas program;

6 (2) it is in the best interest of the state to lease mineral rights through a public  
 7 process, with administrative oversight and management, preparation of a best interest finding,  
 8 and a competitive bid process; and

9 (3) issuance of shallow natural gas leases with specific limitations on depths in  
 10 areas where conventional natural gas reserves may be present creates management problems  
 11 that may preclude the full unitization and conservation of the resources.

12 \* **Sec. 2.** AS 38.05.177(a) is amended to read:

13 (a) The provisions of this section

14 (1) apply to gas, whether methane associated with and derived from  
 15 coal deposits or otherwise, from a field if a part of the field is within 3,000 feet of the  
 16 surface; and

17 (2) do not apply to authorize lease of

18 (A) land

19 (i) that is subject to an oil and gas exploration license or  
 20 lease issued under AS 38.05.131 - 38.05.134; or

21 (ii) that is leased under AS 38.05.180;

22 (B) the land (i) that is proposed to be subject to an oil and gas  
 23 exploration license or lease issued under AS 38.05.131 - 38.05.134; or (ii) that  
 24 is described in and part of a proposed oil and gas leasing program prepared  
 25 under AS 38.05.180(b); however, the commissioner may waive the limitations  
 26 of this subparagraph;

27 (C) the land that is held under a coal lease entered into under  
 28 AS 38.05.150, unless the applicant for a shallow natural gas lease is also the  
 29 lessee under AS 38.05.150 of that land; [OR]

30 (D) the valid existing selections of the Alaska Mental Health  
 31 Trust Authority made for the purpose of reconstituting the mental health trust

1 established under the Alaska Mental Health Enabling Act, P.L. 84-830, 70  
 2 Stat. 709 (1956), that become subject to management under AS 38.05.801, or  
 3 of land that has been designated by law for or is subject to designation for  
 4 conveyance to the Alaska Mental Health Trust Authority; however, after  
 5 consultation with the Alaska Mental Health Trust Authority, the commissioner  
 6 may waive the limitations of this subparagraph; or

7 **(E) land and water within the Kenai Peninsula Borough**  
 8 **east of Cook Inlet and south of the north boundary of Township 5 South,**  
 9 **Seward Meridian.**

10 \* **Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to  
 11 read:

12 APPLICATION OF SECTION 2 TO LAND CURRENTLY LEASED IN THE  
 13 VICINITY OF KACHEMAK BAY FOR SHALLOW NATURAL GAS EXPLORATION  
 14 AND DEVELOPMENT. The provisions of AS 38.05.177(a)(2)(E), added by sec. 2 of this  
 15 Act, apply to prohibit the issuance or reissuance of a lease under AS 38.05.177 entered into  
 16 before the effective date of this Act if the lease terminates because of the failure to extend the  
 17 lease under AS 38.05.177(d) or if the lease terminates by the operation of AS 38.05.177(h).

18 \* **Sec. 4.** This Act takes effect immediately under AS 01.10.070(c).